

# Callan

August 2022



## **City of Valdez Permanent Fund**

City Council Presentation

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**Alex Browning**

Senior Vice President

**Alex Ford**

Vice President

# Callan LLC



At Callan, we collaborate with each client to build tailored and lasting investment solutions.

## Firm Overview

- Founded in 1973 by Ed Callan
- Employee-owned investment consulting firm
- Over 190 professionals, including 127 shareholders
- Advise 478 fund sponsor clients representing more than \$4.0 trillion in assets

## Callan began advising the Permanent Fund in 1997

## Education & Events

- Callan Institute: National Conference | Regional Workshops
- Center for Investment Training: Callan College
- Customized Sessions & Continuing Education Credits

Firm and employee statistics as of June 30, 2022.

# What Makes Callan Different?

In addition to our unique culture of collaboration and peer oversight, we combine the benefits of large and small consulting firms.

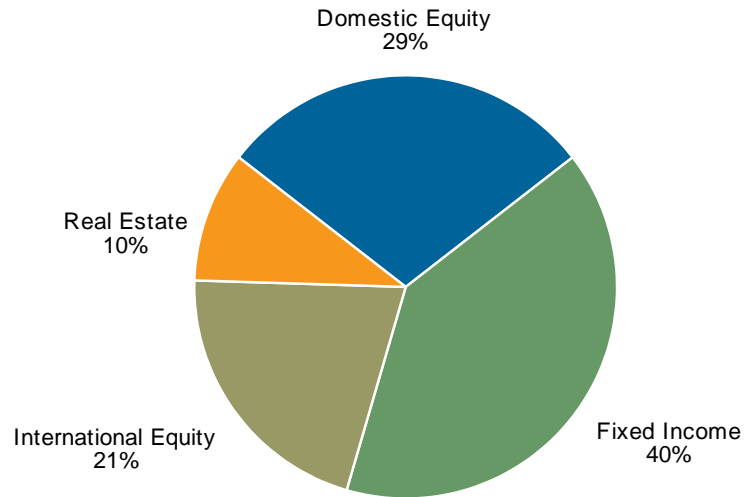


- The City of Valdez Permanent Fund is a very important client to Callan
- Our objective has always been to make the City of Valdez feel like our **only** client

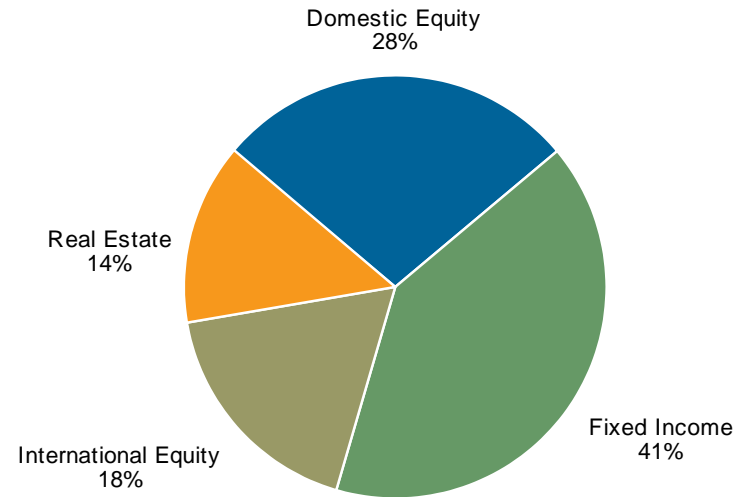
# Total Fund Asset Allocation

As of June 30, 2022

Target Asset Allocation



Actual Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	68,569	28.1%	29.0%	(0.9%)	(2,193)
Fixed Income	98,617	40.4%	40.0%	0.4%	1,014
International Equity	43,189	17.7%	21.0%	(3.3%)	(8,053)
Real Estate	33,633	13.8%	10.0%	3.8%	9,233
Total	244,008	100.0%	100.0%		

- Annual distribution to the General Fund = 1.5%, or approximately \$3.7MM
- Long-Term Permanent Fund growth objective = CPI + 4.0%, or approximately \$15.9MM
- Permanent Fund Policy: 50% Stocks, 40% Bonds, 10% Real Estate

# Manager Asset Balances

As of June 30, 2022

	June 30, 2022				March 31, 2022	
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
<b>Domestic Equity</b>	<b>\$67,383,715</b>	<b>27.75%</b>	<b>\$0</b>	<b>\$(12,749,648)</b>	<b>\$80,133,363</b>	<b>30.06%</b>
<b>Large Cap Equity</b>	<b>\$47,418,296</b>	<b>19.53%</b>	<b>\$0</b>	<b>\$(9,109,374)</b>	<b>\$56,527,670</b>	<b>21.20%</b>
Vanguard Institutional Index	47,418,296	19.53%	0	(9,109,374)	56,527,670	21.20%
<b>Mid Cap Equity</b>	<b>\$13,453,830</b>	<b>5.54%</b>	<b>\$0</b>	<b>\$(2,454,949)</b>	<b>\$15,908,779</b>	<b>5.97%</b>
Vanguard S&P Mid Cap 400 Index	13,453,830	5.54%	0	(2,454,949)	15,908,779	5.97%
<b>Small Cap Equity</b>	<b>\$6,511,588</b>	<b>2.68%</b>	<b>\$0</b>	<b>\$(1,185,325)</b>	<b>\$7,696,913</b>	<b>2.89%</b>
QMA US Small Cap	6,511,588	2.68%	0	(1,185,325)	7,696,913	2.89%
 <b>International Equity</b>	 <b>\$43,188,597</b>	 <b>17.79%</b>	 <b>\$(17,580)</b>	 <b>\$(7,070,035)</b>	 <b>\$50,276,212</b>	 <b>18.86%</b>
Vanguard Intl Growth	14,566,268	6.00%	0	(3,225,611)	17,791,880	6.67%
Vanguard Intl Value	19,263,688	7.93%	0	(2,473,375)	21,737,063	8.15%
Brandes International Small Cap	9,358,641	3.85%	(17,580)	(1,371,048)	10,747,270	4.03%
 <b>Fixed Income</b>	 <b>\$98,617,150</b>	 <b>40.61%</b>	 <b>\$0</b>	 <b>\$(5,056,473)</b>	 <b>\$103,673,623</b>	 <b>38.89%</b>
Alaska Permanent Cap Mgmt	34,712,694	14.30%	0	(1,615,316)	36,328,010	13.63%
Standish Global Fixed	29,786,295	12.27%	0	(1,640,449)	31,426,744	11.79%
Baird Aggregate Bond	34,118,160	14.05%	0	(1,800,708)	35,918,868	13.47%
 <b>Real Estate</b>	 <b>\$33,633,428</b>	 <b>13.85%</b>	 <b>\$(51,976)</b>	 <b>\$1,174,390</b>	 <b>\$32,511,013</b>	 <b>12.19%</b>
UBS Trumbull Property	16,537,194	6.81%	(22,296)	639,842	15,919,649	5.97%
Morgan Stanley Prime Property Fund	17,096,233	7.04%	(29,680)	534,548	16,591,365	6.22%
 <b>Total Fund</b>	 <b>\$242,822,889</b>	 <b>100.0%</b>	 <b>\$(69,556)</b>	 <b>\$(23,701,765)</b>	 <b>\$266,594,211</b>	 <b>100.0%</b>

# Callan Periodic Table of Investment Returns

Annual Returns						Cumulative Returns					
2016	2017	2018	2019	2020	2021	15 Years	10 Years	5 Years	3 Years	1 Year	Last Qtr.
Small Cap Equity	Emerging Market Equity	U.S. Fixed Income	Large Cap Equity	Small Cap Equity	Large Cap Equity	Large Cap Equity	Large Cap Equity	Large Cap Equity	Large Cap Equity	U.S. Fixed Income	U.S. Fixed Income
21.31%	37.28%	0.01%	31.49%	19.96%	28.71%	8.54%	12.96%	11.31%	10.60%	-10.29%	-4.69%
High Yield	Dev ex-U.S. Equity	High Yield	Small Cap Equity	Large Cap Equity	Real Estate	Small Cap Equity	Small Cap Equity	Small Cap Equity	Small Cap Equity	Large Cap Equity	High Yield
17.13%	24.21%	-2.08%	25.52%	18.40%	27.21%	6.33%	9.35%	5.17%	4.21%	-10.62%	-9.83%
Large Cap Equity	Large Cap Equity	Global ex-U.S. Fixed Income	Real Estate	Emerging Market Equity	Small Cap Equity	High Yield	Real Estate	Real Estate	Dev ex-U.S. Equity	Real Estate	Global ex-U.S. Fixed Income
11.96%	21.83%	-2.15%	23.06%	18.31%	14.82%	5.78%	5.59%	2.89%	1.70%	-12.75%	-11.01%
Emerging Market Equity	Small Cap Equity	Large Cap Equity	Dev ex-U.S. Equity	Global ex-U.S. Fixed Income	Dev ex-U.S. Equity	U.S. Fixed Income	Dev ex-U.S. Equity	Dev ex-U.S. Equity	Emerging Market Equity	High Yield	Emerging Market Equity
11.19%	14.65%	-4.38%	22.49%	10.11%	12.62%	3.26%	5.37%	2.66%	0.57%	-12.81%	-11.45%
Real Estate	Real Estate	Real Estate	Emerging Market Equity	Dev ex-U.S. Equity	High Yield	Real Estate	High Yield	Emerging Market Equity	High Yield	Dev ex-U.S. Equity	Dev ex-U.S. Equity
4.99%	11.42%	-4.74%	18.44%	7.59%	5.28%	2.81%	4.47%	2.18%	0.21%	-16.76%	-14.66%
Dev ex-U.S. Equity	Global ex-U.S. Fixed Income	Small Cap Equity	High Yield	U.S. Fixed Income	U.S. Fixed Income	Emerging Market Equity	Emerging Market Equity	High Yield	Real Estate	Global ex-U.S. Fixed Income	Large Cap Equity
2.75%	10.51%	-11.01%	14.32%	7.51%	-1.54%	2.00%	3.07%	2.10%	-0.18%	-18.78%	-16.10%
U.S. Fixed Income	High Yield	Dev ex-U.S. Equity	U.S. Fixed Income	High Yield	Emerging Market Equity	Dev ex-U.S. Equity	U.S. Fixed Income	U.S. Fixed Income	U.S. Fixed Income	Small Cap Equity	Small Cap Equity
2.65%	7.50%	-14.09%	8.72%	7.11%	-2.54%	1.55%	1.54%	0.88%	-0.93%	-25.20%	-17.20%
Global ex-U.S. Fixed Income	U.S. Fixed Income	Emerging Market Equity	Global ex-U.S. Fixed Income	Real Estate	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Emerging Market Equity	Real Estate
1.49%	3.54%	-14.57%	5.09%	-8.18%	-7.05%	1.42%	-1.06%	-1.75%	-5.07%	-25.28%	-17.23%

**Sources:** ● Bloomberg U.S. Aggregate Bond ● Bloomberg Corporate High Yield ● Bloomberg Global Aggregate ex U.S.  
 ● FTSE EPRA Nareit Developed ● MSCI World ex USA ● MSCI Emerging Markets ● Russell 2000 ● S&P 500

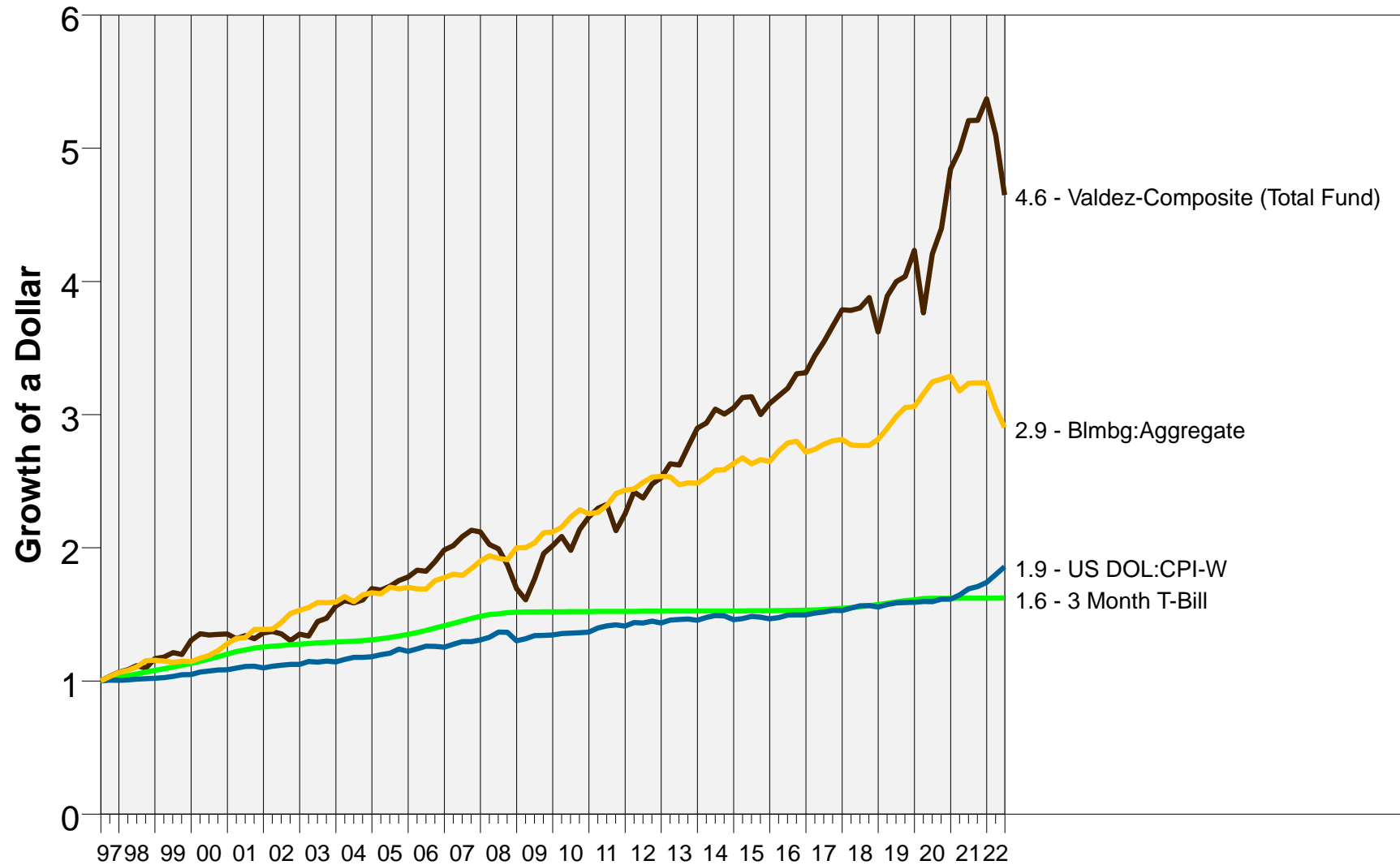
# City of Valdez Permanent Fund Investment Returns (\$)

Trailing 1-Year Period as of June 30, 2022

	3Q21	4Q21	1Q22	2Q22	Last Year
<b>Domestic Equity</b>	\$ 230,683	\$ 7,478,783	\$ (4,287,243)	\$ (12,749,648)	\$ (9,327,425)
Vanguard Institutional Index	\$ 558,200	\$ 5,894,035	\$ (2,920,482)	\$ (9,109,374)	\$ (5,577,621)
Vanguard Mid Cap 400 Index	\$ (277,733)	\$ 1,232,954	\$ (819,544)	\$ (2,454,949)	\$ (2,319,272)
QMA US Small Cap	\$ (49,784)	\$ 351,794	\$ (547,217)	\$ (1,185,325)	\$ (1,430,532)
<b>International Equity</b>	\$ (1,777,664)	\$ 225,271	\$ (6,367,388)	\$ (7,070,034)	\$ (14,989,815)
Vanguard International Growth	\$ (1,105,464)	\$ (733,457)	\$ (3,503,840)	\$ (3,225,611)	\$ (8,568,372)
Vanguard International Value	\$ (828,886)	\$ 1,470,360	\$ (2,191,556)	\$ (2,473,375)	\$ (4,023,457)
Brandes International Small Cap	\$ 156,686	\$ (511,632)	\$ (671,992)	\$ (1,371,048)	\$ (2,397,986)
<b>Fixed Income</b>	\$ 42,881	\$ (232,799)	\$ (5,880,200)	\$ (5,056,473)	\$ (11,126,591)
APMC	\$ 25,586	\$ (36,408)	\$ (2,144,892)	\$ (1,615,316)	\$ (3,771,030)
Standish Global Fixed Income	\$ 2,555	\$ (158,591)	\$ (1,307,243)	\$ (1,640,449)	\$ (3,103,728)
Baird Aggregate Bond	\$ 14,740	\$ (37,800)	\$ (2,428,065)	\$ (1,800,708)	\$ (4,251,833)
<b>Real Estate</b>	\$ 1,618,050	\$ 2,101,909	\$ 2,215,352	\$ 1,174,390	\$ 7,109,701
UBS Trumbull Property	\$ 810,692	\$ 713,733	\$ 1,096,089	\$ 639,842	\$ 3,260,356
Morgan Stanley Prime Property Fund	\$ 807,358	\$ 1,388,176	\$ 1,119,263	\$ 534,548	\$ 3,849,345
<b>Total</b>	\$ 113,950	\$ 9,573,164	\$ (14,319,479)	\$ (23,701,765)	\$ (28,334,130)

# City of Valdez Permanent Fund Total Fund Growth

Growth of a Dollar  
For 25 Years Ended June 30, 2022

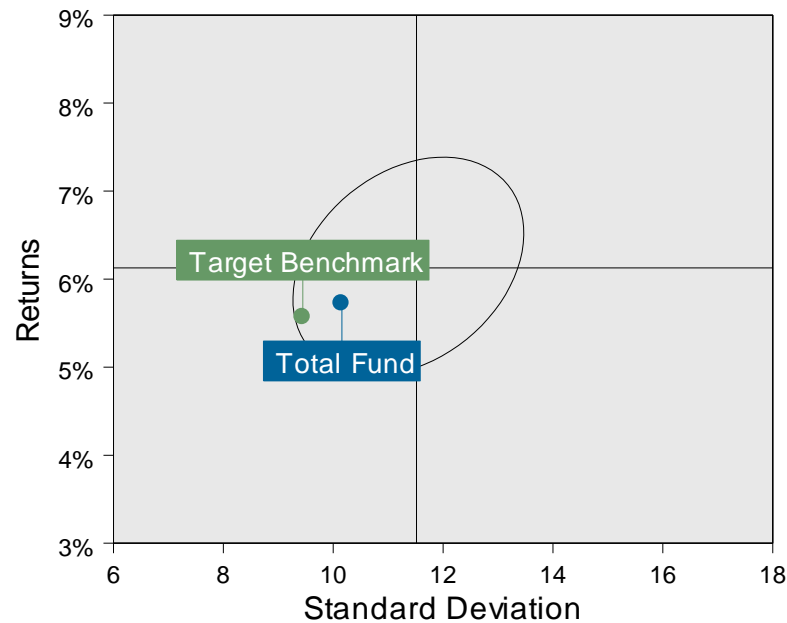




# City of Valdez Permanent Fund Total Returns

Cumulative Annualized as of June 30, 2022

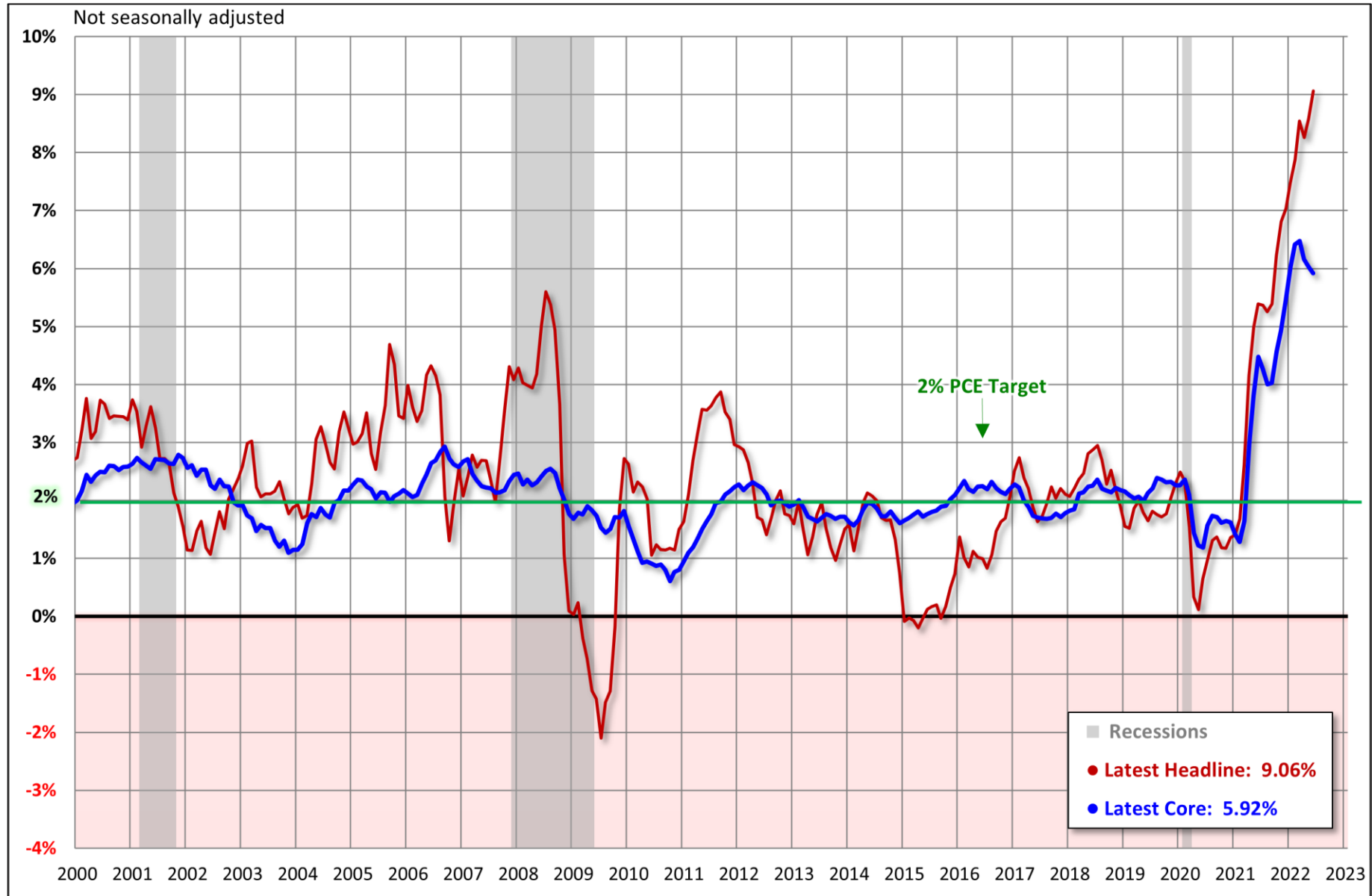
Callan Public Fund Spons- Mid (100M-1B) (Gross)  
Annualized Seven Year Risk vs Return



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 15 Years
10th Percentile	(8.24)	(7.84)	7.22	7.59	7.37	8.59	6.42
25th Percentile	(9.25)	(8.73)	6.21	6.74	6.70	8.13	6.16
Median	(10.08)	(10.10)	5.34	5.99	6.13	7.66	5.81
75th Percentile	(11.07)	(12.03)	4.54	5.39	5.45	6.75	5.48
90th Percentile	(11.37)	(13.43)	4.03	4.94	5.20	6.37	4.96
<b>Total Fund</b> ●	(9.27)	(11.16)	4.97	5.46	5.72	6.90	5.46
<b>Target Benchmark</b> ▲	(9.28)	(9.79)	4.69	5.47	5.57	6.60	5.41

# Consumer Price Index for Urban Consumers

Headline and Core Year-over-Year Since 2000



# Contributors to Recent Inflation: Primary Categories

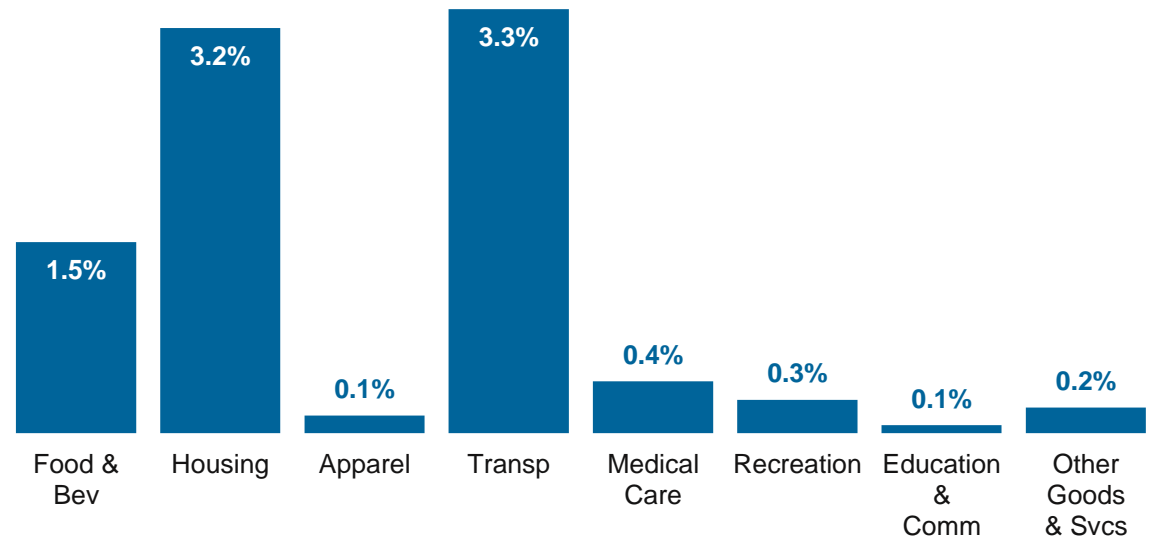
Transportation, including new and used cars, parts, and gasoline, continues to experience high inflation.

- Year-over-year prints are almost two times higher than any other category.
- With a meaningful 18% weight in the index\*, transportation also has the highest weighted contribution to headline CPI.

Housing and food and beverage have also been significant contributors to headline CPI.

- Inflation within these categories is rising while transportation inflation appears to have leveled off.

Contribution to June 2022 YOY Inflation



Primary Category	Primary Category Weight	Year-over-Year Change											
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
All Items	100.0%	5.4%	5.3%	5.4%	6.2%	6.8%	7.0%	7.5%	7.9%	8.5%	8.3%	8.6%	9.1%
Food & Bev	14.3%	3.4%	3.7%	4.5%	5.1%	5.8%	6.0%	6.7%	7.6%	8.5%	9.0%	9.7%	10.0%
Housing	42.4%	3.4%	3.5%	3.9%	4.5%	4.8%	5.1%	5.7%	5.9%	6.4%	6.5%	6.9%	7.3%
Apparel	2.5%	4.2%	4.2%	3.4%	4.3%	5.0%	5.8%	5.3%	6.6%	6.8%	5.4%	5.0%	5.2%
Transportation	18.2%	19.4%	17.8%	16.6%	18.7%	21.1%	21.1%	20.8%	21.1%	22.6%	19.9%	19.4%	19.7%
Medical Care	8.5%	0.3%	0.4%	0.4%	1.3%	1.7%	2.2%	2.5%	2.4%	2.9%	3.2%	3.7%	4.5%
Recreation	5.1%	3.5%	3.4%	3.5%	3.9%	3.2%	3.3%	4.7%	5.0%	4.8%	4.3%	4.5%	4.6%
Education & Communication	6.4%	1.1%	1.2%	1.7%	1.8%	1.7%	1.6%	1.6%	1.6%	1.5%	1.0%	0.8%	0.8%
Other Goods & Svcs	2.7%	2.9%	3.5%	3.4%	4.2%	4.4%	4.5%	4.9%	5.6%	5.5%	5.7%	6.3%	6.7%

\*Category weights received a revision for 2022. The Transportation weight is up from 15% to 18% with this revision.

Source: U.S. Bureau of Labor Statistics